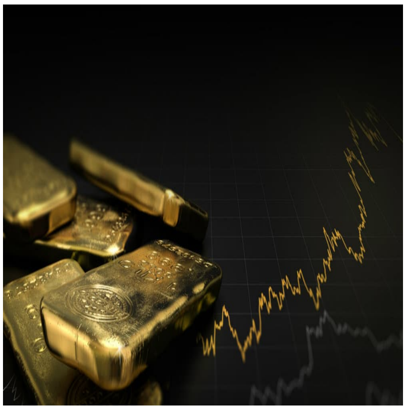

$3000 Gold Prices? This Bank Thinks So

Description

Over the last few weeks, one of the things I've talked about consistently is rising gold prices. More specifically, the potential for investors who take advantage and buy gold stocks today.

Every time a major country issues more debt or has to print more money to help ease the blow to their economy, gold gains value.

It now appears that some larger financial institutions are taking notice, with **Bank of America** recently calling for $3,000 gold in a research report.

In the report, the bank made a lot of the same points I have been making. The main takeaway is that this unprecedented level of fiscal and monetary stimulus will put currencies under significant pressure, and when that happens, look for gold's price to skyrocket.

As well, $3,000 is nearly twice the price that gold is at today, and roughly 50% higher than its all-time high. So how did gold get this high?

How gold's price is determined

The price of gold is determined just like the price for anything in a free market, supply and demand.

With demand, the idea is that printing all this fiat money makes gold more valuable. In theory, for every dollar the government prints, the demand for gold should go up by that amount. So if the number of dollars in the money supply doubles, in theory, the price of gold would double too.

There is, however, a supply side to the equation as well. And right now, numerous mines around the world have been temporarily shut down as a result of COVID-19 shutdowns.

In short, the gold market is going through the exact opposite of what the oil market is going through.

In the short term, we expect the demand for gold to rise. However, at the same time, the supply we would have also expected will be short.

These two factors working together should send the price of gold soaring, and one of the world's largest banks, agrees.

Why this makes gold stocks a top investment

The biggest factor in the profitability of gold stocks is unsurprisingly the price of gold. So as the price of gold increases, stocks will be positively impacted.

In just the last year, the price of gold has increased from $1,270 to $1,733, a 36.5% increase.

Meanwhile, the **iShares S&P/TSX Global Gold Index ETF**, an index of gold producing stocks, is up from $11.55 to $21.22, an 83.7% increase.

The gain in the basket of gold stocks was roughly 2.4 times as large as the gain in the price of gold. That is significant leverage for investors who buy the stocks.

And if you pick top gold stocks, such as **Equinox Gold Corp** (TSXV:EQX) your returns could be even higher.

Equinox is a rapidly growing gold stock with operations in Mexico, Brazil and California. The company has been slightly affected by mandatory shutdowns like most of its peers. However, these issues shouldn't have any long-term, meaningful effects.

The company is increasing its production rapidly. So even with temporary shutdowns to its mines, Equinox should still produce more gold this year than in 2019. This rapid increase in production is already translating to share price performance.

Equinox has seen its share price grow by more than 100% over the last year, and this is just the beginning. Rising gold prices could be a huge catalyst for Equinox, which already has some of the lowest production costs of its peers.

The company continues to see upward revisions to its earnings estimates and target prices from analysts, as the price of gold continues to climb.

Bottom line

The current market environment is one of the most accommodating periods for gold prices in the last decade.

So if you have ever thought about owning gold stocks, or want to add some protection to your portfolio, now would be the time to do so.

CATEGORY

1. Coronavirus
2. Investing

3. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:EQX (Equinox Gold Corp.)

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